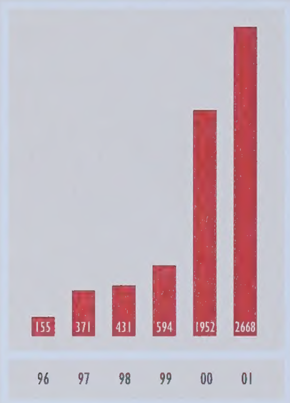
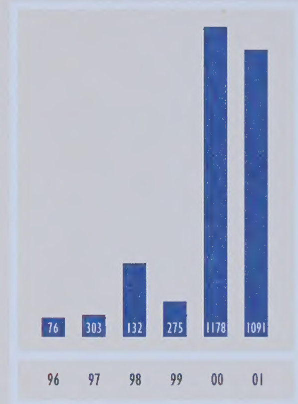
Crispin Energy Inc. **2001 Annual Report**

It's what you don't see

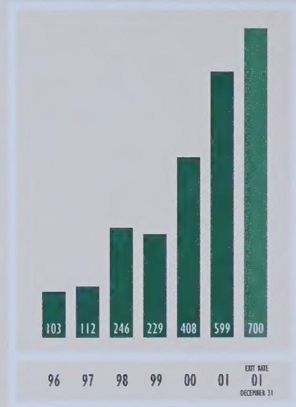
Cash flow
($000's)



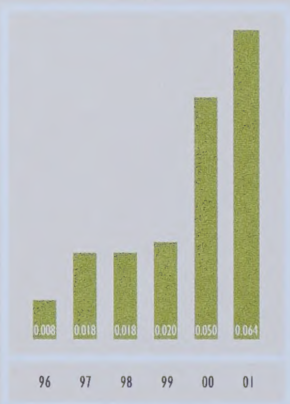
Earnings (pre tax)
($000's)



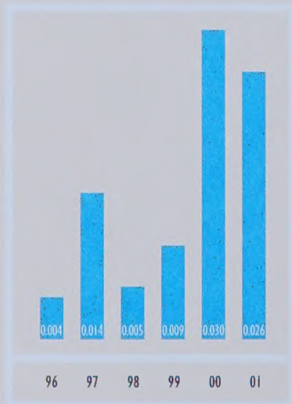
Production
(boepd 10:1)



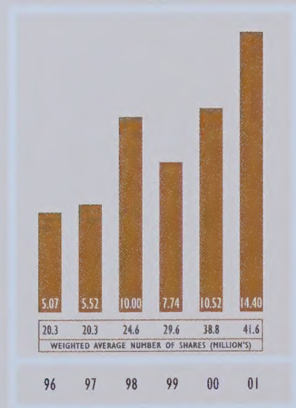
Cash flow per share
($)



Earnings per share (pre tax)
($)



Production / million shares
(boepd)



HIGHLIGHTS

	2001	2000	1999	Change 2000-2001
FINANCIALS ($)				
Production revenue	**6,193,334**	5,009,138	2,112,609	24%
Cash flow from operations	**2,668,247**	1,951,943	593,789	37%
Cash flow from operations per share (basic)	**0.064**	0.050	0.020	28%
Net income (pre tax)	**1,091,021**	1,178,310	275,213	-7%
Earnings per share (pre tax)	**0.026**	0.03	0.01	-13%
Capital expenditures	**7,608,050**	3,248,030	2,308,231	
Long-term debt	**5,700,000**	675,000	225,000	
Shareholders' equity	**6,874,713**	6,017,776	4,067,642	14%
Common shares issued (year end)	**42,186,231**	41,366,231	38,566,231	2%
OPERATIONS				
Average daily production (boepd @ 10:1)	**599**	408	229	47%
Oil and NGLs (bbl/d)	**549**	381	213	44%
Natural gas (mcf/d)	**496**	270	156	84%
Total proved + 50% probable ($M)	**17,147**	19,971	11,276	-14%

CORPORATE PROFILE

Crispin Energy Inc. is a junior oil and gas exploration and development company with shares listed on the Canadian Venture Exchange (trading under the symbol "CEY"). The Company's goal is to increase shareholder value with a balanced combination of development and exploration drilling, supported by complimentary acquisitions.

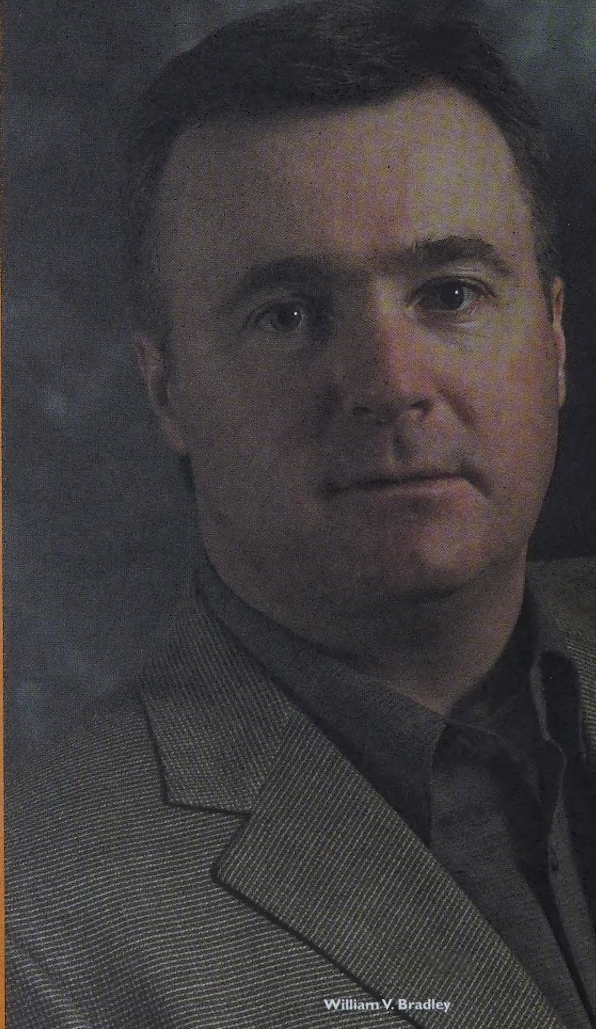
ANNUAL GENERAL MEETING

Shareholders are cordially invited to attend the Corporation's Annual General meeting, which will be held at the Bow Valley Club, located at 370, 250 - 6 Avenue SW, Calgary, Alberta at 10:00 a.m. Friday, May 24, 2002. Shareholders are encouraged to complete and return the enclosed proxy form to Valiant Corporate Trust Company's Calgary office if you are unable to attend the Annual General Meeting.

that makes the difference.

Good roots. They make Crispin stronger and more resilient. They give us the ability to take advantage of good conditions. They allow us to weather the bad. They aren't always front and center, and in most cases you've got to dig down to see them, but good roots are the key to long term value growth for shareholders.

Measured



William V. Bradley

Crispin emphasizes profitable growth, not growth at all costs.

2001 was a continuation of the business plan and strategy that guided Crispin Energy Inc. (Crispin) through 2000. The underlying reality is the same: Crispin will not rely on friendly market conditions to provide solid year over year financial results.

What does this mean? It means Crispin continues to focus on cost control, improving operational efficiency, maintaining a conservative balance sheet, converting probable reserves to proved producing reserves (a real measure of a company's worth), and adding land inventory for development in 2002 and beyond.

We continue to be a realistic company that fully understands, and is willing to meet, the challenges of a growing junior oil and gas company. To use our metaphor, Crispin planted the seed in 2000, strengthened its roots in 2001, and will continue to grow into 2002. Crispin is here for the long haul. As a result of our efforts, and despite sharp declines in commodity pricing, 2001 was another year of profitable growth for the company: record cash flow of $2.7MM was realized, an increase of 37%.

ACHIEVEMENTS

2001 was a significant year for Crispin. We achieved record average production of 599 boepd and December 31, 2001 exit production of 700 boepd, approximately a 60% increase from 2000. Corporate netbacks decreased only 7% per barrel, while product prices dropped 16%.

One and three year recycle ratios of 1.52 and 1.91 were achieved on proved producing reserves, evidence of capital efficiency and profitable growth. Over the past three years, Crispin has efficiently quadrupled proved producing reserves. Through a key property swap with an industry partner, Crispin refocused the company's

producing base (light oil and natural gas accounted for 62% in 2001 versus 44% in 2000 on a 10:1 boe basis). The property swap also served to convert a significant portion of the Company's probable reserves to proved producing reserves. Approximately 770 mboe of proved producing reserves were added at $9.87 per boe in 2001.

The Company also closed a substantial property acquisition in December, adding 225 bopd to the Sousa area for $575M. The full contribution of the production from this acquisition will not be evident in the financial performance of Crispin until the first quarter of 2002.

OUTLOOK

In 2002, Crispin will continue to focus on cost control, targeting operating costs of approximately $7.00 per boe and general and administrative costs below $2.00 per boe. In light of substantially improved heavy oil prices at the time of writing, Crispin expects to commence additional heavy oil development on land acquired in 2001.
The Company's measured approach to fiscal management will enable the Company to pursue attractive acquisitions that will increase production and its inventory of prospects.

Crispin attained several of its goals for 2001 and looks forward to realizing its goals for the coming year. This was made possible by our diligent staff who are the roots of the Company. Two key members have been added to our dedicated team: Gordon Crooks as Vice-President, Exploration and Darrin Foster as Production Manager. Both bring a wealth of experience and round out the Crispin team as it moves towards a full cycle growth company. On behalf of the Board of Directors, and Crispin's shareholders, I would like to thank all our employees for their hard work. I look forward to working with the entire team as we continue to build this Company on the basis of profitable growth, not growth at all costs.

Wm V Bradley

William V. Bradley

President and Chief Executive Officer

Concentrate

Cygnus will continue to target high working [illegible]

focused operations which will help facilitate cost control.

In another year of growth, Crispin added reserves and production through new acquisitions and project optimization. The Company's prospect inventory grew in each of its three main core areas of Sousa, Mann Lake and Ewing Lake and it realized a significant increase in its undeveloped land base. Project optimization and acquisitions attained production and reserve increases in the Sousa area, while a swap of the Company's Medicine Hat heavy oil production for light oil and gas production in the Ewing Lake area increased production and reserves in this central Alberta area. The following is a description of operations in each of our main focus areas.

SOUSA AREA

Crispin has a 100% working interest in 512 hectares of land in this northern Alberta property near Rainbow Lake and operates gathering, treating and disposal facilities in the area. The Company is currently producing 375 boepd of light oil and solution gas from three wells, up from approximately 50 bopd at the start of 2001. An existing well was completed in the Sulphur Point formation and is producing at 150 boepd. Further uphole, a separate Upper Sulphur Point gas zone capable of stabilized production of 2 mmcf/d will be placed on production with no additional cost once the lower zone oil and solution gas reserves have been produced.

Additional upside exists in the Keg River formation, where incremental oil reserves could be brought on-production from step out locations.

In December 2001, further gains were made through the purchase of a Keg River oil well, which had produced only during the winter months. This well is currently being pipelined into Crispin's battery to enable year round production.

MANN LAKE / BONNYVILLE AREA

At Mann Lake, Crispin owns a 100% working interest in a 256 ha Oil Sands lease. Current production is approximately 180 bopd of heavy oil. Step out wells drilled in 2001 encountered the productive channel sands but not in a structurally high enough position to be produced economically. Upon further review of the Company's 3D seismic coverage in the area, additional prospective drilling locations have been identified where the reservoir sand is projected to be encountered in a structurally higher position. The next round of drilling is planned for June 2002.


SOUSA
FOCUS AREAS
British Columbia
/
Alberta
MANN LAKE / BONNYVILLE
EWING LAKE / LOUSANA

Crispin acquired several sections of prospective land in the Bonnyville area in 2001. Many of these sections contain existing wells with bypassed oil pay on logs. This land base supplies the company with several low risk drilling opportunities and up to three wells are planned for the summer of 2002. Production from each of these wells will be eligible for the heavy oil 1% Royalty rate and, if successful, will be drilled and brought on-stream for $3-4 per boe.

EWING LAKE / LOUSANA

At Ewing, Crispin produces light gravity oil from both the Nisku and the Leduc formations in this central Alberta property near Stettler. The Company has an average working interest of 53% in 2.125 sections of land, and operates all its wells and production facilities. Current net production is approximately 50 bopd. A horizontal well is planned for 2002, which will target unswept oil reserves in the Nisku formation.

At Lousana, a property adjacent to Ewing Lake, Crispin acquired approximately 110 bopd of light oil production from a mid-sized industry producer by swapping its Medicine Hat area heavy oil production. Current production from this property is approximately 130 boepd with very little decline. The Company's 6.5 sections of land includes a 100% working interest in a Viking gas well which will be evaluated for tie-in to a nearby gas gathering line in 2002.
The Company will be pursuing additional light oil and gas opportunities in the area during 2002.

OUTLOOK

Crispin is looking forward to another year of growth in 2002. We will continue to grow in core areas through our current in-house drilling prospect inventory, and further acquisitions, while expanding our central W4M Alberta area as we target new light oil and gas projects. Drilling programs and project optimization are planned for each of our core areas at Sousa, Mann Lake and Ewing. Our focus will be on increasing production and cash flow by targeting technically sound projects with close attention to profitable growth.

Petroleum and natural gas reserves – The Corporation's crude oil, natural gas and natural gas liquids reserves have been evaluated by the independent engineering firm of Outtrim Szabo Associates Ltd. In the reserve report dated March 6, 2002 Outtrim Szabo Associates Ltd. evaluated the Corporation's hydrocarbon reserves and the net present value of the estimated future net revenues effective December 31, 2001 as follows:

Reserves

	Oil & NGL's		Sales gas		Present value cash flow			
						Discounted at		
					Undiscounted	10%	12%	15%
	Gross	Net	Gross	Net	(000's)	(000's)	(000's)	(000's)
Escalating price evaluation	(Mbbl's)	(Mbbl's)	(Mmcf)	(Mmcf)				
Proved producing	1,143.2	989.4	822	686	17,566	12,330	11,687	10,863
Proved non-producing	70.4	50.1	2,548	1,925	8,552	4,025	3,519	2,902
Total proved	1,213.6	1,039.5	3,370	2,611	26,118	16,355	15,206	13,765
Probable risked at 50%	186.9	158.8	829	616	5,172	2,216	1,941	1,619
Total proved plus 50% Probable	1,400.5	1,198.3	4,199	3,227	31,290	18,571	17,147	15,384

The crude oil price forecast used in determining reserve values in the evaluation are based on an average WTI price of US $20.50/bbl for 2002, US $20.81/bbl for 2003, escalated at 1.5% per year thereafter. The natural gas price forecast used in determining natural gas reserve values in the evaluation was based on an average 2002 price of Cdn. $4.12/mcf, Cdn. $4.39/mcf for 2003 and a series of prices ranging from Cdn. $4.42/mcf to Cdn. $5.02/mcf thereafter. At April 1, 2002 the fixed price for a two year crude oil hedge exceeded US $24.00/bbl. The Corporation does not have any proved undeveloped reserves booked at December 31, 2001.

Reserve reconciliation (Mboe's)

	Proved producing	Total proved	Proved & probable
December 31, 1998	321.9	998.6	1,647.4
Discoveries and Extensions	131.0	131.0	46.0
Acquisitions	228.2	362.1	446.3
Technical revisions	(0.4)	(30.4)	(150.4)
Production 1999	(83.0)	(83.0)	(83.0)
December 31, 1999	597.7	1,378.3	1,906.3
Discoveries and Extensions	244.3	442.5	576.1
Acquisitions	1.4	1.4	1.4
Technical revisions	(21.1)	(299.2)	(251.1)
Production 2000	(148.9)	(148.9)	(148.9)
December 31, 2000	673.4	1,374.1	2,083.8
Discoveries and Extensions	170.8	172.1	210.8
Acquisitions	435.3	267.4	151.7
Technical revisions	164.3	(44.6)	(137.6)
Production 2001	(218.4)	(218.4)	(218.4)
December 31, 2001	1,225.4	1,550.6	2,090.3

Gas converted to boe's at 10:1.

Dollars and sense

A measured approach to financial and technical risk provides direction to Crispin's activities and its approach to business. More simply, this means that the Company carefully plans its investments and this translates to sound profitable growth.

The management discussion and analysis that follows is intended to supplement the financial statements and accompanying notes contained in this annual report. Estimates of future operating and financial performance are based on information currently available.

Financial overview

$	2001	2000	% Change
Gross revenue	$6,199,134	$4,100,576	51
Cash flow from operations	2,668,247	1,951,943	37
Per share – basic	0.064	0.050	28
Per share – fully diluted	0.064	0.049	31
Net earnings (pre-tax)	1,091,021	1,178,310	(7)
Per share – basic (pre-tax)	0.026	0.030	(13)
Per share – fully diluted (pre-tax)	0.025	0.029	(14)
Adjusted operating netbacks per boe (net of hedging)	15.05	15.55	(1)
G & A expense per boe	$1.91	$1.96	(3)

Operations overview

	2001	2000	% Change
Average production			
Oil – bbls/d	549	381	44
Gas – mcf/d	50	27	84
Oil equivalent – boepd	599	408	47
Exit rate – boepd	700	438	60
Reserves (boe's @ 10:1)			
Proven	1,551	1,374	13
Proven plus probable	2,090	2,084	–

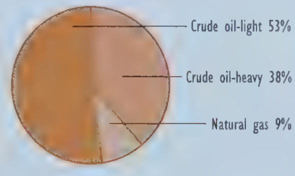
Production revenue – Gross petroleum and natural gas revenues increased by 23.6% in 2001 to $6,193,334 from $5,009,138 in 2000. The increase in production revenues is attributable to a combination of a 46.7% increase in production volumes in 2001 and a 15.7% decline in per boe average commodity prices. Crude oil production is Crispin's primary focus and accounts for 86.9% of total sales. As a result, Crispin's revenue is highly sensitive to changes in world crude oil prices. The Corporation's average field commodity price for 2001 was $28.35/boe as compared to $33.63/boe in 2000.

Hedging – Financial hedging instruments are used to provide stability with respect to commodity pricing and exchange rates. At year-end, Crispin had put protected 200 bopd establishing a floor price of US $19.00/bbl which expires on April 30, 2002. A crude oil collar was also in place for a further 200 bopd, establishing a floor price of US $20.00/bbl and a ceiling price of US $26.25/bbl which expires on April 30, 2002 (see Note 8). During 2001, hedging contracts resulted in a $139,520 loss, as compared to a $933,802 hedging loss during 2000. The Corporation treats its hedging gains and losses as adjustments to gross revenues. The 2001 loss resulted in a revenue adjustment of $0.64/boe compared to $6.27/boe revenue adjustment in 2000.

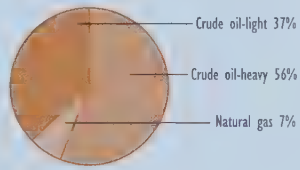
Production revenue	2001			2000		
	Volume boe	$000's	$/unit	Volume boe	$000's	$/unit
Crude oil light	117,683	$4,114	$35.21	56,041	$2,354	$42.00
Crude oil heavy	82,658	1,235	14.94	83,022	2,252	27.12
Total crude oil	200,341	5,379	26.85	139,063	4,606	33.12
Natural gas	18,120	815	4.49	9,873	403	4.08
Total field revenue (boe)	218,461	6,193	28.35	148,936	5,009	33.63
BI insurance		111	0.51			
Hedging loss		(140)	(0.64)		(934)	(6.27)
Total net revenue (boe)	218,461	$6,164	$28.22	148,936	$4,075	$27.36

Production volume

2001



2000



Royalties – Royalty expense, net of ARTC, increased 66.1% to $1,236,712 in 2001 from $744,452 in 2000. The increase in royalty expenses is primarily due to the increases in production revenues and volumes primarily from new wells with higher average royalty burdens.

The Corporation's effective royalty rate averaged 20% in 2001 as compared to 14.8% in 2000. On a dollar per boe basis the Corporation's royalty rate increased 13.2% to $5.66/boe from $4.99/boe in 2000. The increase in both the Corporate average royalty rate and the average royalty cost per boe are primarily attributable to the new oil and gas production from the Sousa property.

	2001			2000		
	$000's	% Sales	$/unit	$000's	% Sales	$/unit
Crude oil – light	$1,001	24.1	8.50	$395	16.7	7.04
Crude oil – heavy	93	7.6	1.13	300	13.3	3.61
Crude oil total	1,094	20.3	5.51	695	15.1	6.03
Natural gas	162	19.9	0.90	76	18.9	0.77
ARTC	(20)	(0.3)	(0.09)	(28)	(0.6)	(0.19)
Total royalties	$1,236	20.0	5.66	$744	14.8	4.99

Production expenses – Production expenses were up 60.9% to $1,674,738 in 2001 from $1,041,022 in 2000. On a boe basis, the 2001 production expenses increased by 9.7% to $7.67/boe from $6.99/boe in 2000.

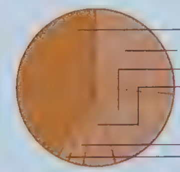
Light oil production expenses decreased by 17.7% to $7.40/bbl for 2001 from $9.00/bbl for 2000. Light oil production increases at Sousa and facility reconfiguration at Ewing Lake, as well as the addition of low cost production at Lousana have resulted in significant operating cost savings in 2001. Production expenses associated with natural gas averaged $1.01/mcf during 2001, as compared to $0.23/mcf in 2000, the result of compression and processing fee's on new gas production.

Heavy oil production expenses increased by 21.5% to $7.51/bbl from $6.18/bbl for 2000. The increase in the per barrel heavy oil production expenses are directly related to the disposition of the lower cost Medicine Hat property and the higher costs of extraction at the Mann Lake property, due primarily to higher energy costs, sand handling and disposal expenses. As development continues and total production from the Mann Lake property increases, it is expected that the per barrel operating expenses can be reduced through economies of scale.

Production expenses	2001		2000	
	$000's	$/unit	$000's	$/unit
Crude Oil – light	$ 871	$7.40	$ 505	$9.00
Crude Oil – heavy	621	7.51	513	6.18
Crude Oil total	1,492	7.45	1,018	7.32
Natural gas & other	183	1.01	23	0.23
Total (boe)	$1,675	$7.67	$1,041	$6.99

Cash flow netback

2001



2000

Netback analysis – The Corporation's adjusted operating netback increased by 42% to $3,287,684 from $2,315,102 during 2000. The per boe adjusted operating netback decreased 3.2% to $15.05/boe from $15.55/boe in 2000. The change in the per boe adjusted netback reflects the decrease in average commodity prices, the increase in average royalty costs and production expenses and reduced hedging costs experienced in 2001.

	2001		2000	
	$000's	$/boe	$000's	$/boe
Production revenue	$6,193	$28.35	$5,009	$33.63
Royalties	(1,236)	(5.66)	(744)	(4.99)
Production expenses	(1,675)	(7.67)	(1,041)	(6.99)
Other	145	0.67	25	0.17
Operating netback	3,427	15.69	3,249	21.82
Hedging losses	(140)	(0.64)	(934)	(6.27)
Adjusted operating netback	3,287	15.05	2,315	15.55
General & administrative	(417)	(1.91)	(291)	(1.96)
Interest	(202)	(0.93)	(72)	(0.48)
Cash flow netback from operations	$2,668	$12.21	$1,952	$13.11

General and administrative expense – General and administrative expenses, net of recoveries and capitalized costs, increased by 43.2% to $417,239 in 2001. On a boe basis, general and administrative expense decreased by 2.4% during 2001 to $1.91/boe from $1.96/boe in 2000. The reduction in the per boe general and administrative expenses is attributable to higher 2001 production volumes. Management anticipates further reductions to the boe cost of the G&A as new production is brought on-stream during 2002. The Corporation's 2001 exit production rate was approximately 700 boepd (10:1), as compared to the 2001 full year average of 599 boepd. At the end of 2001 Crispin had 5 full time employees.

	2001		2000	
	$000's	$/boe	$000's	$/boe
Gross G & A	$757.3	$3.44	$581.6	$3.90
Overhead recoveries	(119.9)	(0.52)	(111.7)	(0.75)
Capitalized G & G*	(220.2)	(1.01)	(178.5)	(1.20)
Net G & A	$417.2	$1.91	$291.4	$1.96

* geology and geophysical

Interest expense – Interest expense increased to $202,199 in 2001 from $71,787 in 2000, the result of increased average borrowings by the Corporation during 2001. On a per boe basis, interest expense totalled $0.93/boe in 2001 as compared to $0.48/boe in 2000.

Depletion and depreciation expense – Depletion and depreciation charges for 2001 increased to $1,513,191 from $725,124 for 2000. On a boe basis depletion and depreciation was $6.93/boe in 2001 compared to $4.87/boe for 2000, an increase of 42.2%. The increase in the per boe depletion and depreciation rate is attributable to the capital costs associated with the 2001 drilling program as well as new gas facility and tie in costs.

Capital expenditures – The 2001 capital expenditure program was financed primarily through the use of existing credit lines and cash flow generated from operations. Net capital expenditures totalled $7,608,051 in 2001.

$000's	2001	2000	1999
Land and rentals	$ 697.7	$ 25.9	$ 31.1
Seismic	67.2	295.1	18.7
Drilling and completions	1,669.9	1,702.2	273.2
Acquisitions, net	2,730.2	7.5	1,061.7
Capitalized G&G	220.2	178.5	142.7
Sousa remedial	–	464.8	479.5
Facility and equipment	2,205.6	551.5	290.6
Administrative assets	17.2	17.5	10.7
Total capital expenditures	$7,608.0	$3,248.0	$2,308.2

Finding and development costs – Finding costs are presented for the years 2001, and the three year 1999-2001 cumulative. In calculating finding and development costs, there are often a number of inconsistencies between periods created by the timing of investments and the phase of the exploration cycle. This is particularly related to facility and land costs, as well as the recognition and revision of reserves. Accordingly, three year calculations can be a more meaningful reflection of a Company's ongoing ability to find reserves than a one year calculation.

During 2001 the Corporation greatly expanded it's land position in the core Mann Lake area. In addition, an emphasis on adding proven producing reserves to the asset base was undertaken. Capital expended on land, facilities, and the moving of proved non-producing and probable reserves to the proved producing category resulted in substantially inflated total proven and total proven plus probable finding and development costs on both the 3 year average and the 2001 stand-alone basis. However, the Corporation has managed to increase proven producing reserves by a factor of 3.8 times in the previous 3 year period, at a finding and developing cost of $9.03/boe, substantially better than the industry average. In addition, the Corporation elected not to book proven undeveloped reserves in the 2001 calendar year, reflecting the conservative reserve assignment nature of the Corporation. By not booking proven undeveloped reserves, Crispin will better synchronize future capital expenditures to reserve additions.

Finding ($/boe)	3 year	2001
Proved producing	$ 6.74	$ 6.99
Total proved	9.10	13.63
Proved & probable	$10.22	$23.94

Finding & developing ($/boe)	3 year	2001
Proved producing	$ 9.03	$ 9.87
Total proved	12.19	19.26
Proved & probable	$13.68	$33.82

Gas converted to boe's at 10:1

Recycle ratio – Reserve recycle ratio is used as one measure of a Company's capital efficiency. By relating operating netbacks to finding and development costs, a company's ability to re-invest discretionary cash flow is evaluated. A ratio greater than 1.0 implies value creation. Crispin targets a ratio of 1.0 or greater to allow for variables such as commodity price, thereby ensuring value creation through all parts of the commodity price cycle.

Results are similar to the finding and development costs. Crispin's emphasis on proved producing reserve additions in 2001 is evident, as all recycle ratio measures except 2001 stand alone total proved and total proved plus probable yielded strong results.

Recyle ratio	3 year	2001
Proved producing	1.95	1.59
Total proved	1.44	0.82
Proved & probable	1.28	0.47

Cash flow from operations – Cash flow from operations increased 36.7% to $2,668,247 in 2001 compared to $1,951,943 for 2000. Cash flow per weighted average share outstanding increased by 28.2% to $0.064 for 2001 ($0.05 for 2000), cash flow per boe decreased by 6.8% in 2001 to $12.21/boe from $13.11/boe in 2000.

$	2001	2000
Cash flow from operations	$2,668,247	$1,951,943
Per share basic	0.064	0.050
Cash flow per boe	$12.21	$13.11

Net earnings – Pre-tax earnings decreased 7.4% to $1,091,021 ($0.026 per share) in 2001 from $1,178,310 ($0.03 per share) in 2000. Net earnings after the provision for future taxes were $694,230 ($0.017 per share) in 2001. The Corporation did not pay any cash income taxes during 2001, and currently does not expect to pay cash income taxes for a number of years. The Corporation achieved a 16.1% pre-tax return on weighted average equity during 2001 compared to a 2000 return on weighted average equity of 20.9%.

$	2001	2000
Pre-tax earnings	$1,091,021	$1,178,310
Pre-tax per share basic	0.026	0.030
Pre-tax earnings per boe	$4.99	$7.91
Pre-tax return on equity	16.1%	20.9%

Liquidity and capital resources – The Corporation had a net working capital deficit of $481,827 at the end of 2001. At year-end 2000 the Corporation had a net working capital deficit of $775,733.

The Corporation has a $4,000,000 revolving operating demand loan facility and a $3,500,000 non-revolving acquisition and development demand loan facility with the National Bank of Canada. As of December 31, 2001 Crispin had drawn a total of $5,700,000 on these facilities. The loan facility is up for review in April 2002.

Equity – During 2001 the Series Two common share purchase warrants were exercised and converted to 500,000 common shares and 450,000 employee share purchase options were exercised. In total 950,000 common shares were issued for gross proceeds of $190,000.

Normal course issuer bid – During the first quarter of 2001, the Corporation filed a notice of intention to make a normal course issuer bid with the Canadian Venture Exchange under which the Corporation could acquire up to 2,500,000 or 8.4% of the public float (non-insiders, associates or affiliates thereof) through the facilities of the Canadian Venture Exchange. All shares purchased by Crispin under the issuer bid are returned to treasury and cancelled. To December 31, 2001 Crispin had re-purchased and cancelled 130,000 common shares under the Normal Course Issuer Bid for a total cost of $27,293.

Net asset value – A substantial drop in commodity pricing (see reserve section of MD&A) has resulted in a significant drop in NAV from 2000 to 2001. A sensitivity evaluation using a WTI US $24.00/bbl oil price adds approximately $3.5 million to the asset value of the Corporation ($0.08/share). It should be noted that the Corporation has elected not to include any proved undeveloped reserves in 2001, which, if booked, would increase the net asset value.

$000's	2001	2000
Reserves discounted at 12% pre-tax (1)	$17,147	$19,971
Undeveloped land (2)	1,540	287
Working capital deficit, capital lease	(528)	(776)
Bank debt	(5,700)	(675)
Net asset value – basic	12,459	18,807
Proceeds of warrants and stock options	359	434
Net asset value – fully diluted	$12,818	$19,241

Per share amounts	2001	2000
Basic	$0.30	$0.48
Fully diluted	$0.30	$0.47

(1) Probable reserves risked at 50% (2) Undeveloped land is evaluated on a property specific basis with values ranging from $80-$600 per acre

The drop in NAV is attributable in its entirety to the lower commodity price forecast used in 2001 relative to 2000, and the delay in the commencement date of the gas production at Sousa due to its continued strong oil production.

Capital requirements – The Corporation will continue to finance its activities through future equity offerings, internally generated cash flow and existing bank credit lines.
The Company intends to use these sources of funding to pursue expansion in existing project areas. The possibility does exist that the various sources of financing currently available to the Company may not be available when required, or may not be attainable in the amounts, or on terms acceptable to the Corporation when required to finance Crispin's ongoing activities.

Income taxes – At December 31, 2001 the Corporation had accumulated tax pools of $13,895,771 (see note 7 to the financial statements for pool breakdown) available for application against future taxable earnings. These pools should allow the Corporation to shelter future taxable earnings for a number of years.

Business risks – As a junior petroleum and natural gas explorer, developer and producer Crispin is faced with various risks inherent to the oil and gas industry that are outside of management's control. These include, exploration uncertainty, access to processing and shipping facilities, commodity price fluctuation, interest and foreign exchange rate risks, conditions affecting the supply and demand for hydrocarbons, government regulations, royalty and tax structures and environmental protection.

The oil and gas industry in western Canada is highly competitive and Crispin competes with other oil and gas corporations that have greater resources. The Corporation's continued success will depend upon its ability to find new hydrocarbon reserves at a low cost through exploration, development and acquisition and in conducting its operations in a cost-effective manner.

Management attempts to mitigate the various forms of risk inherent in the industry in a number of ways, including: employing experienced and motivated staff, utilizing new technologies, controlling and reviewing ongoing costs, generating new economic projects in areas where the Corporation has a good understanding of the geological risks and potential, diversification of commodity mix, use of financial hedging instruments, and maintaining sufficient levels of business, comprehensive and property insurance to safeguard the Corporation's assets.

Environmental – The oil and gas industry is subject to environmental regulation under federal and provincial legislation. Some of the Corporation's operations are in environmentally sensitive areas. Crispin is committed to conducting its operations in a manner that minimizes environmental impact and the likelihood of environmental damage. Management estimates and provides for its liability in respect to reclamation and restoration of lands upon which its operations are conducted.

Quarterly information

$000's (except per share amounts)	Q1	Q2	Q3	Q4	Total
Gross revenues	$1,304	$1,386	$2,049	$1,460	$6,199
Pre-tax earnings	344	205	529	13	1,091
Pre-tax per share – basic	0.008	0.005	0.011	0.002	0.026
Cash flow from operations	609	531	1,019	509	2,668
Per share – basic	$0.015	$0.013	$0.025	$0.011	$0.064
Daily production (boe's)	493	545	686	667	599

MANAGEMENT'S REPORT

To the Shareholders of Crispin Energy Inc.

Management is responsible for the preparation of the consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for ensuring that all other financial and operating information presented in this annual report is consistent with such consolidated financial statements. The Corporation has established and maintains a system of internal controls which are designed to provide reasonable assurance that all transactions are properly recorded in the Corporation's records to facilitate the preparation of reliable and timely financial information, and that assets are managed efficiently and protected from unauthorized use.

The consolidated financial statements have been audited by the independent accounting firm of Bleakley & Company, Chartered Accountants, whose appointment is ratified by the Board of Directors. The independent accountants conduct a review of internal accounting controls to the extent required by generally accepted auditing standards and perform such tests and related procedures as they deem necessary to arrive at an opinion on the fairness of the financial statements.

The Audit Committee of the Board of Directors is composed of directors from both inside and outside of the Corporation. The Audit Committee meets with the independent accountants and management to satisfy itself that it is properly discharging its responsibilities. The independent accountants have unrestricted access to the Audit Committee, without the prior consent of management, to discuss the results of their examination and the quality of the financial reporting and internal accounting controls.

Wm V. Bradley

William V. Bradley
President and CEO

M Graham

Murray D. Graham
Vice-President, Finance

AUDITORS' REPORT

To the Shareholders of Crispin Energy Inc.

We have audited the consolidated balance sheet of Crispin Energy Inc. at December 31, 2001, and the consolidated statement of income, retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2001 and the results of its operations and the changes in financial position for the years then ended in accordance with Canadian generally accepted accounting principles.

Bleackley & Company

Chartered Accountant

April 9, 2002

Calgary, Alberta

CONSOLIDATED BALANCE SHEET
AS AT DECEMBER 31

	2001	2000
ASSETS		
Current assets:		
Accounts receivable	$ 1,169,570	$ 878,403
Prepaid expenses	19,354	23,446
Refundable deposits	47,220	44,350
Inventory	12,932	6,012
	1,249,076	952,211
Other assets:		
Future tax asset (note 7)	–	292,180
Property and equipment (note 4)	13,305,923	7,211,064
Goodwill (net) (note 2)	27,133	35,344
	$14,582,132	$8,490,799
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Cheques issued in excess of cash in bank	$340,375	$235,719
Accounts payable	1,353,447	1,492,225
Capital lease - current (note 9)	37,081	–
	1,730,903	1,727,944
Long term debt (note 3)	5,700,000	675,000
Capital lease - long term (note 9)	46,003	–
Accumulated future site restoration (note 2)	125,902	70,079
Future tax liability (note 7)	104,611	–
	5,976,516	745,079
Shareholder equity:		
Share capital (note 5)	4,569,811	4,407,104
Retained earnings	2,304,902	1,610,672
	6,874,713	6,017,776
	$14,582,132	$8,490,799

Commitments (note 9)

See accompanying notes

On behalf of the Board of Directors,

Wm V Bradley

William V. Bradley

President and CEO

R.H. Eldridge

Robert H. Eldridge

Chairman

CONSOLIDATED STATEMENT OF OPERATIONS AND RETAINED EARNINGS

FOR THE YEARS ENDED DECEMBER 31

	2001	2000
Revenue:		
Oil and gas sales	$6,193,334	$5,009,138
Royalties	(1,236,712)	(744,452)
Hedging losses (note 8)	(139,520)	(933,802)
Interest and other	145,320	25,240
	4,962,422	3,356,124
Expenses:		
Depletion and depreciation	1,513,191	725,124
Site restoration	55,823	40,298
Amortization of goodwill	8,211	8,211
Operating	1,674,738	1,041,022
General & administrative	417,239	291,373
Interest expense	202,199	71,787
	3,871,401	2,177,815
Net income before income taxes	1,091,021	1,178,310
Future income taxes (note 7)	396,791	539,576
Net income for the period	694,230	638,734
Retained earnings, beginning of period	1,610,672	140,182
Adjustment to record future taxes	–	831,756
Retained earnings, end of period	$2,304,902	$1,610,672
Net income per share (note 6)		
Basic	$0.017	$0.016
Fully diluted	$0.017	$0.016

See accompanying notes

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31

	2001	2000
Cash flow provided by (used for):		
Cash flow from operating activities:		
Income for the year	$694,230	$638,734
Add: items not involving cash:		
Future income tax	396,791	539,576
Amortization of goodwill	8,211	8,211
Site restoration	55,823	40,298
Depletion and depreciation	1,513,191	725,124
Cash flow from operations	2,668,247	1,951,943
Change in non-cash working capital		
(Increase) decrease in refundable deposits	(2,870)	11,700
(Increase) decrease in accounts receivable	(291,167)	115,760
(Increase) decrease in prepaid expenses	4,092	(13,395)
(Increase) decrease in material inventory	(6,920)	–
Increase (decrease) in accounts payable	(138,778)	(151,038)
	(435,643)	(36,973)
Cash flow from operating activities	2,232,604	1,914,970
Cash flow from financing activities:		
Bank advances	5,025,000	450,000
Capital lease	111,522	–
Capital lease repayment	(28,438)	–
Shares issued for cash	190,000	738,000
Shares repurchased and cancelled	(27,293)	–
Deferred tax effect on flow-through shares	–	(248,980)
Share issue costs	–	(9,376)
Cash flow from financing activities	5,270,791	929,644
Funds available for investing	7,503,395	2,844,614
Cash flow from investing activities:		
Deferred tax effect on flow-through shares	–	248,980
Disposition of P&NG properties	34,000	55,000
Acquisition of P&NG properties net	(7,642,050)	(3,303,030)
Cash flow from investing activities	(7,608,050)	(2,999,050)
Increase (decrease) in cash for the period	(104,656)	(154,436)
Cash, beginning of period	(235,719)	(81,283)
Cash, (bank overdraft) end of period	($340,375)	($235,719)
Cash flow from operations per share (note 6)		
Basic	$0.064	$0.050
Fully diluted	$0.064	$0.049
Supplemental disclosure of cash flow information		
Interest paid	$202,199	$71,787

See accompanying notes

1 Nature of operations

The Corporation is engaged in the exploration for, and the production of petroleum and natural gas in Western Canada.

2 Significant accounting policies

Consolidation – The financial statements include the accounts of Crispin Energy Inc. ("the Corporation") and its wholly owned subsidiaries: 495756 Alberta Ltd., Crispin Resources Limited and North River Resources Ltd.

Joint operations – The Corporation's petroleum and natural gas exploration activities are conducted jointly with other parties. These financial statements reflect only the Corporation's proportionate interest in such activities.

Petroleum and natural gas operations – The Corporation follows the full cost method of accounting for petroleum and natural gas operations whereby all costs relating to the exploration and development of petroleum and natural gas reserves are capitalized. Costs include land acquisition costs, carrying charges on unproved properties, geological and geophysical costs, costs of drilling both productive and non-productive wells, production equipment and related facilities and directly related overhead costs.

Such costs are accumulated, depleted and depreciated on a unit of production method based on estimated gross proven recoverable reserves with production and reserves volumes of natural gas converted to equivalent energy units of oil. The Corporation utilizes a 6:1 conversion rate for depletion purposes. At December 31, 2001, $887,183 of costs related to unproven reserves have been excluded from costs subject to depletion and depreciation.

Gains or losses on the disposition of oil and gas properties are not recognized unless crediting the proceeds against accumulated costs would result in a change in the depletion rate by 20% or more.

Ceiling test – Costs accumulated in all cost centres are limited to the aggregate future net revenues from estimated production of proved reserves, based on year end prices for natural gas and the weighted average price received during the year for crude oil, plus the aggregate value of unproved properties and major development projects, less the aggregate estimated future production related general and administrative, financing costs, future site restoration costs and income taxes for all costs centres.

Goodwill – The goodwill arose from the excess of purchase price over fair market value of the net assets of Camrex Resources Ltd. in 1995. Goodwill is amortized on a straight line basis over a ten year period at $8,211 per annum, and is shown net of accumulated amortization of $54,975 (2000 - $46,765).

Future site restoration costs – Estimated future costs of restoring the Corporation's oil and gas properties, net of the estimated salvage value of the tangible equipment, are being provided for on the unit of production basis. Such costs are expensed annually and accumulated in the provision account based on proven reserve estimates and current production levels. When expenditures are made to restore a property, the accrued provision is charged with these expenditures.

Flow-through shares – The Corporation has financed a portion of its capital expenditures with flow-through shares. Under this type of financing, shares are issued at a fixed price and the resultant proceeds are used to fund qualifying exploration and development expenditures within a defined time period. The expenditures funded by flow-through arrangements are renounced to investors in accordance with tax legislation. Share capital and petroleum and natural gas properties are reduced by the

total estimated future income tax cost of the renounced tax deductions at the time of the issue. For the year ended December 31, 2001, the Corporation had no renunciations (2000 - $558,000) of qualifying resource expenditures to the flow-through shareholders. As of December 31, 2000, the Corporation had actually incurred $200,000 in qualifying expenditures with the remaining $358,000 incurred in 2001.

Hedging – The Corporation periodically enters into contracts to hedge its exposure to price declines on a portion of its production. Gains or losses on these contracts are reported as adjustments to revenue in the related reporting period.

Income taxes – The Corporation follows the liability method of tax allocation accounting. Under the liability method, the difference between tax assets and liabilities and their financial reporting basis is computed and measured using current tax rates. Income tax assets are also recognized for the benefits from tax losses and deductions that cannot be identified with particular assets or liabilities, provided those benefits are more likely than not to be realized. Changes in tax rates are recognized in the income statement in the period in which the rate change is enacted.

Use of estimates – The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The amounts recorded for depletion and the provision for future site restoration costs are based on estimates. The ceiling test calculation is based on estimates of proved reserves, production rates, oil and natural gas prices, future costs and other assumptions. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

Financial instruments – The fair value of financial instruments are determined by reference to various market data and other valuation techniques as appropriate. The Corporation's financial instruments consist of cash equivalents, cheques issued in excess of cash in bank, accounts receivable, refundable deposits, accounts payable, prepaid expenses, long term debt and capital leases. The fair value of financial instruments are not estimated by Management to be materially different from the carrying value.

Inventory – Inventory is valued at the lower of cost and net realizable value.

3 Debt instruments

The Corporation has a $4,000,000 revolving operating demand loan facility. Interest is payable on borrowings under the operating facility at an interest rate of prime plus three quarters of one percent. At December 31, 2001, borrowings outstanding under this facility totalled $3,200,000. The Corporation also has a $3,500,000 non-revolving acquisition and development demand loan facility. Interest is payable on borrowings under the operating facility at an interest rate of prime plus one and one quarter percent. At December 31, 2001, borrowings outstanding under this facility totalled $2,500,000. These credit facilities are subject to an annual review and do not currently call for further repayments or availability reductions provided certain covenants related to the facility are met. Collateral for the credit facility consists of a fixed and floating charge demand debenture in the amount of $25,000,000 covering the primary P&NG assets of the Corporation.

4 Property and equipment

	December 31, 2001			December 31, 2000
	Cost	Accumulated depletion, depreciation and write-down	Net book value	Net book value
Property and equipment	$17,004,725	$3,698,802	$13,305,923	$7,211,064

During the year ended December 31, 2001, the Corporation capitalized $220,199 (2000 - $178,459) of general and administrative expenditures relating to exploration activities. Undeveloped property costs of $887,183 (2000 - $232,201) were excluded from the depletion base. The carrying value for oil and gas properties has been reduced by nil (2000 - $248,980) representing the tax benefits of exploration and development expenditures renounced to shareholders in connection with flow-through share agreements. Estimated future costs of restoring the Corporation's oil and gas properties, net of the estimated salvage value of the tangible equipment, are being provided for in the financial statements.

5 Share capital

Authorized Unlimited number of common shares
150,000 preferred shares

Issued **Common shares**	Number of shares	Carrying value
Balance, December 31, 1999	38,566,231	$3,927,460
Isuued for cash on exercise of Series 1 warrants	1,000,000	180,000
Issued for cash, net of future taxes of $248,980	1,800,000	309,020
Less: Share issue costs	–	(9,376)
Balance, December 31, 2000	41,366,231	$4,407,104
Issued for cash on exercise of Series 2 warrants	500,000	100,000
Issued for cash on exercise of options	450,000	90,000
Less: Shares repurchased and cancelled	(130,000)	(27,293)
Balance, December 31, 2001	42,186,231	$4,569,811

Share purchase warrants – At December 31, 2001, the Corporation had no share purchase warrants outstanding. During 2000, the 1,000,000 Series 1 share purchase warrants were exercised. During 2001, the 500,000 Series 2 share purchase warrants were exercised.

Stock options – common shares – The Corporation has established a stock option plan whereby officers, directors, employees and consultants may be granted options to purchase common shares. A maximum of 10% of the outstanding common shares of the Corporation may, from time to time be allocated for issuance to eligible participants. At December 31, 2001 options for 2,610,000 (2000 – 2,535,000) shares were outstanding with exercise prices ranging from $0.15 to $ 0.30 per share and expiration dates from August 2002 to July 2006.

Normal Course Issuer Bid – On March 21, 2001, the Corporation filed a notice of intention to make a normal course issuer bid with the Canadian Venture Exchange under which the Corporation could acquire up to 2,500,000 or 8.4% of the public float (non-insiders, associates or affiliates thereof) through the facilities of the Canadian Venture Exchange. During 2001, and pursuant to the Normal Course Issuer Bid, the Corporation purchased and cancelled 130,000 common shares.

Flow-through share agreements – During 2000, the Corporation entered into flow-through share agreements, whereby the Corporation agreed to issue 1,800,000 flow through common shares of the Corporation, in consideration for the Corporation incurring $558,000 in qualifying expenditures prior to December 31, 2001, and to flow the income tax benefits to the investor.

6 Per common share amounts

The Corporation has retroactively adopted the new Canadian accounting recommendations for the computation and disclosure of earnings per share. Under the new standard, the treasury method of calculating diluted earnings per share must be used. The method assumes that any proceeds from the exercise of stock options and other dilutive instruments would be used to purchase common shares at the average market price during the period. The change in policy had no effect on income per share for the year ended December 31, 2000.

The calculation of net income per common share and cash flow from operations per share is based on the weighted average number of common shares outstanding during the year ended December 31, 2001 of 41,665,681 (2000 – 38,852,259). The fully diluted weighted average number of common shares outstanding during the year ended December 31, 2001 was 42,063,170 (2000 – 39,014,792)

Cash flow from operations per share is based on cash flow from operations before changes in non-cash working capital items.

7 Income taxes

Income taxes recorded on the statement of operations and retained earnings differ from the tax calculated by applying the combined federal and provincial income tax rate to income before taxes as follows:

	December 31, 2001	December 31, 2000
Corporate tax rate	42.11%	44.62%
Calculated income tax expense	$459,429	$525,776
Increase (decrease) in income tax		
Non-deductible crown charges	105,148	64,113
Federal Resource Allowance	(390,847)	(346,068)
Tax pools in excess of depletion (non-deductible)	219,575	290,190
Other	3,486	5,565
Future income tax provision	$396,791	$539,576

Future income tax liability consists of the following temporary differences:

	December 31, 2001
Property and equipment - intangible	($813,639)
Property and equipment - tangible	525,226
Site restoration	37,186
Capital losses	216,656
Share issue expense	146,016
Cumulative eligible capital	600
	112,045
Less: valuation allowance	(216,656)
Future tax liability	($104,611)

The Corporation has the following amounts available to reduce future year's income for tax purposes:

	December 31, 2001
Canadian Oil & Gas Property Expense	$ 3,549,495
Canadian Development Expense	2,553,924
Canadian Exploration Expense	2,102,467
Undepreciated capital costs (various)	4,818,218
Cumulative eligible capital	1,726
Share issue costs	346,750
Net-capital losses	514,500
Non-capital losses carried forward for income tax purposes	8,691
	$13,895,771

The non-capital losses expire if not utilized to reduce future taxable income as follows: 2003–$7,788; 2004–$146; 2006–$658; 2007–$30; 2008–$69.

8 Financial instruments

As disclosed in Note 2 the Corporation holds various forms of financial instruments. The nature of these financial instruments and the nature of the industry in which the Corporation operates exposes the Corporation to commodity price, industry credit, interest rate and fair value risks.

Commodity price risk – The Corporation is subject to commodity price risk on its crude oil sales. The Corporation is party to certain off-balance sheet derivative financial instruments that have fixed the price of a portion of its crude oil production. The Corporation entered into these contracts for hedging purposes only, in an effort to protect its future cash flow from the volatility of crude oil prices.

Hedging – The following hedging contracts were outstanding at December 31, 2001:

(a) The Corporation put protected 200 bopd establishing a floor price of $19.00 US/bbl with an April 30, 2002 expiry. The premium for the Put contract is amortized over the life of the contract. The estimated market value of this contract at December 31, 2001, had it been settled at this time, would have been zero.

(b) The Corporation held a crude oil collar for 200 bopd, establishing a floor price of $20.00 US and a ceiling price of $26.25 US/bbl that expires April 30, 2002. The estimated market value of this contract at December 31, 2001, had it been settled at this time, would have been zero.

These instruments have no book values recorded in the financial statements.

Industry credit risk – The Corporation is subject to credit risk through trade receivables. Although a substantial portion of its debtor's ability to pay is dependent upon the oil and gas industry, credit risk is considered minimal. Management routinely assesses the financial strength of partners and customers including parties involved in marketing or commodity arrangements. The Corporation is exposed to credit risk associated with possible non-performance by derivative instrument counter parties. The Corporation does not require collateral, however, it does limit total exposure to individual counter parties.

Interest rate risk –The Corporation's credit facilities are subject to floating interest rates. As such any debt carried on the books by the Corporation would be subject to interest rate cash flow risk, as the required cash flow to service debt would fluctuate as a result of changes in market rates. The Corporation had total borrowings outstanding under its available credit facilities as of December 31, 2001 of $ 5,700,000 (2000 - $675,000).

Fair value risk – There is no significant difference between the carrying amounts and the fair market value of accounts receivable, refundable deposits and accounts payable.

9 Commitments

Annual lease payments for office premises (expiring May 2003) including estimated operating costs are as follows: 2002 – $79,063, 2003 – $33,254

During the second quarter of 2001, Crispin entered into an agreement to finance gas gathering facilities that is being treated as a capital lease for accounting purposes. Monthly instalments total $4,089 with interest rates set at 10.6% per annum.

The Company is required to make the following annual principal payments:

To December 31, 2002	$37,081
2003	36,803
2004	9,200
Less current portion	(37,081)
Long term capital lease	$46,003

Additionally, in return for third party construction of additional gas gathering and processing facilities, the Company has committed to a minimum annual processing and gathering fee of $188,700, until payout of these facilities is reached.

10 Contingency

The Corporation is a defendant in a legal action claiming a royalty on production from certain of the Corporations properties. The amount of the royalty claim is material to the Corporation, however, on the advice of its legal council, management has filed a Statement of Defence and Counterclaim. Management believes that the claim is without merit and has made no provision in the financial statements for the amount claimed.

The Corporation is a defendant to a claim under the Occupational Health and Safety Act as a result of the death of a subcontractor on a Company work site. A fine of up to $150,000 could be levied under the provisions of the Act. Management is unable to estimate the potential amount of the fine, if any, and has therefore not made any provision in the financial statements.

11 Comparative Figures

Certain prior year figures have been restated to conform with the current year presentation. Prior years figures were reported on by another firm of Chartered Accountants.

12 Subsequent Events

Subsequent to year end, the Corporation granted 625,000 share purchase options at $0.20 per share.

On February 8, 2002, the Corporation loaned $200,000 to an officer to purchase 750,000 common shares and 200,000 flow through common shares of the Corporation from treasury. The loan is due November 30, 2002, bears interest at prime plus three quarters of one percent and is secured by the common shares purchased, which are being held in trust.

On March 7, 2002 the Corporation entered into a crude oil collar for 200 bopd, establishing a floor price of US $21.00/bbl and a ceiling price of US $27.60/bbl that runs from May 1, 2002 and expires December 31, 2002.

On April 9, 2002, the Corporation entered into a crude oil collar for 200 bopd, establishing a floor price of US $24.00/bbl and a ceiling price of US $28.55/bbl that runs from May 1, 2002 and expires December 31, 2002.

FIVE YEAR REVIEW

	2001	2000	1999	1998	1997
FINANCIAL ($000's except where noted)					
Production revenue	6,193	5,009	2,113	1,411	912
Hedging	(140)	(934)	(188)	–	–
BI insurance	111	–	–	7	107
Other income	34	25	7	91	115
Gross revenue	6,198	4,100	1,932	1,509	1,134
Royalties	(1,256)	(771)	(488)	(352)	(228)
ARTC	20	26	31	–	4
Production expenses	(1,675)	(1,041)	(438)	(414)	(373)
Adjusted operating netback	3,287	2,314	1,037	743	537
General & administrative	(417)	(291)	(362)	(230)	(159)
Interest expense	(202)	(72)	(82)	(56)	(7)
Operating cash flow	2,668	1,951	594	457	371
Depletion, depreciation & restoration	(1,569)	(765)	(310)	(291)	(60)
Amortization of goodwill	(8)	(8)	(8)	(8)	(8)
Net income (pre tax)	1,091	1,178	275	158	303
Operating cash flow (basic $/share)	$0.064	$0.050	$0.020	$0.018	$0.018
Pre tax net income per share (basic $/share)	$0.026	$0.030	$0.009	$0.005	$0.014
Capital expenditures	7,608	3,248	2,250	2,620	729
Total assets	14,582	8,491	6,046	4,372	3,130
Working capital (deficiency)	(482)	(776)	(658)	(76)	1,042
Long term debt	5,700	675	225	1,000	–
Shareholder's equity	6,875	6,018	4,067	2,326	2,127
Depletion and depreciation ($/boe)	$6.93	$4.87	$3.42	$3.20	$1.44
Return on average equity (pre tax)	16.1%	20.9%	8.7%	7.2%	21.5%

	2001	2000	1999	1998	1997
Common shares (thousands)					
Weighted average outstanding	41,666	38,852	29,604	24,553	20,285
Shares outstanding (year-end)	42,186	41,366	38,566	26,202	20,303
Fully diluted weighted average outstanding	42,063	39,015	31,182	26,294	22,760
Market information					
High ($/share)	$0.39	$0.34	$0.25	$0.34	$0.40
Low ($/share)	$0.12	$0.13	$0.05	$0.05	$0.13
Close ($/share)	$0.23	$0.16	$0.21	$0.06	$0.34
Shares traded (thousands)	3,981	4,220	2,542	939	1,883

OPERATING	2001	2000	1999	1998	1997
Average sales prices					
Natural gas ($/mcf)	$4.49	$4.08	$2.59	$1.69	$1.46
Oil/NGL ($bbl)(net)	$26.72	$26.85	$23.02	$15.74	$22.53
Adjusted operating netback ($/boe)	$15.05	$15.55	$12.34	$7.19	$10.35
Operating cash flow ($/boe)	$12.21	$13.11	$7.11	$5.10	$9.10
Daily production					
Oil/NGL (bbls/d)	549	381	213	244	110
Natural gas (mcf/d)	496	270	156	18	21
Boe's	599	408	229	246	112
Annual production					
Oil (bbls)	200,341	139,063	77,780	88,979	39,991
Natural gas (mmcf)	181,195	98,726	56,867	6,391	7,639
Boe's	218,460	148,936	83,467	89,618	40,755
Employees	5	4	4	5	4

CORPORATE INFORMATION

Statements throughout this annual report that are not historical facts may be considered "forward looking statements". These forward looking statements sometimes include words to the effect that management believes or expects a stated condition or result. All estimates and statements that describe the Corporation's objectives, goals or future plans are forward looking statements. Since forward looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to any number of factors, including such variables as new information regarding recoverable reserves, changes in demand and commodity prices for oil and gas, legislative, environmental and other regulatory or political changes, competition in areas where the Corporation operates and other factors discussed in this annual report.

ABBREVIATIONS

bbls	Barrels
boe	Barrels of oil equivalent
bopd	Barrels of oil per day
mcf	Thousands of cubic feet
mcfd	Thousands of cubic feet per day
ngl's	Natural gas liquids
°API	Oil gravity in units of the American Petroleum Institute

BOARD OF DIRECTORS

Robert H. Eldridge (1)
Chairman, Crispin Energy Inc.
CFO, Northumbria Industries Ltd.
Toronto, Ontario

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Murray R. Nunns, P. Geol.
VP & COO, Rio Alto Exploration Ltd.
Calgary, Alberta

Glen A. Phillips, P. Geol.
President, Powder Petroleum Ltd.
Calgary, Alberta

(1) Audit committee

OFFICERS AND KEY PERSONNEL

William V. Bradley, P. Eng.
President & CEO

Gordon Crooks, P. Geol.
Vice-President, Exploration

Darrin Foster, P. Eng
Production Manager

Murray D. Graham, CGA
Vice-President, CFO &
Corporate Secretary

Val Nunns
Manager, Development

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